

Message Text

UNCLASSIFIED

PAGE 01 KINGST 03591 262214Z
ACTION ARA-14

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01
INR-10 NSAE-00 TRSE-00 XMB-04 OPIC-06 SP-02
LAB-04 SIL-01 OMB-01 SS-15 STR-07 CEA-01 PA-02
L-03 SSO-00 NSCE-00 INRE-00 ICAE-00 /085 W
-----062578 262220Z /73

O 2262055Z APR 78
FM AMEMBASSY KINGSTON
TO SECSTATE WASHDC IMMEDIATE 900

UNCLAS KINGSTON 3591

E.O. 11652: N/A
TAGS: EFIN, JM
SUBJECT: FINANCE MINISTER BELL GIVES PROGRESS REPORT
ON IMF NEGOTIATIONS

REF: A. KINGSTON 2615; B. KINGSTON 2662; C. KINGSTON 0311

1. SUMMARY: IN A NATIONAL ADDRESS ON TELEVISION AND RADIO ON APRIL 24, FINANCE MINISTER ERIC BELL PROVIDED A PROGRESS REPORT ON IMF NEGOTIATIONS AND WARNED THE NATION THAT THE PROGRAM THAT MUST BE UNDERTAKEN WILL REQUIRE DISCIPLINE, HARD WORK, AUSTERITY AND SACRIFICES. HE ACKNOWLEDGED THAT THE NATION'S HIGH LEVEL OF CONSUMPTION COULD NOT BE MAINTAINED, THAT HARD TIMES WERE AHEAD AND THAT JAMAICA'S LIVING STANDARD WOULD FALL. HE DESCRIBED AS "UNDULY HARSH" SOME OF THE CONDITIONS ON WHICH THE IMF HAS BEEN INSISTING, BUT INDICATED THAT NEGOTIATIONS ARE CONTINUING AND ARE EXPECTED TO BE CONCLUDED IN THE NEXT FEW DAYS. HE INDICATED THAT THE GOVERNMENT WOULD HAVE TO SET AN EXAMPLE IN CUTTING BACK ITS OWN CONSUMPTION, BUT ASSURED THAT THE GOJ'S SOCIAL PROGRAMS IN THE AREA OF ADULT EDUCATION, COMMUNITY DEVELOPMENT AND LAND LEASE WOULD NOT BE DISMANTLED. ONLY THEIR FOCUS WOULD BE CHANGED TO EMPHASIZE PRODUCTION AND TRAINING. END SUMMARY

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 KINGST 03591 262214Z

2. THE COMPLETE ADDRESS OF FINANCE MINISTER BELL APPEARED IN THE DAILY GLEANER OF APRIL 25. THE MAJOR POINTS OF HIS "PROGRESS REPORT" TO THE NATION ON THE IMF NEGOTIATIONS ARE AS FOLLOWS:

A. THE GOVERNMENT'S NEGOTIATIONS WITH THE IMF HAVE NOT

BEEN FINALIZED AND WILL CONTINUE THROUGHOUT THE WEEK. SOME OF THE CONDITIONS ON WHICH THE IMF "HAS BEEN INSISTING APPEAR TO US TO BE UNDULY HARSH BUT NEGOTIATIONS ARE CONTINUING AND ARE EXPECTED TO BE CONCLUDED IN THE NEXT FEW DAYS."

B. GIVEN THE CURRENT STATE OF THE ECONOMY, ANY PARTICULAR SET OF CORRECTIVE MEASURES WILL INVOLVE HARDSHIPS AT ALL LEVELS OF THE SOCIETY. "THERE IS ABSOLUTELY NO WAY OUT".

C. THE MAJOR CAUSES OF JAMAICA'S BALANCE OF PAYMENTS PROBLEM WERE IDENTIFIED AS:

THE DECLINE IN FOREIGN CAPITAL INFLOWS OWING TO "THE RECESSION IN THE WORLD ECONOMY".

. THE TREMENDOUS INCREASE IN OIL PRICES WHICH OCCURED IN 1973.

. DETERIORATION IN THE TERMS OF TRADE, WITH THE PRICES OF OIL AND CAPITAL GOODS INCREASING MUCH MORE RAPIDLY THAN THE PRICES OF JAMAICA'S EXPORTS OF GOODS AND SERVICES SUCH AS SUGAR, BANANAS AND TOURISM.

D. OTHER FACTORS RESPONSIBLE FOR JAMAICA'S ECONOMIC PROBLEMS INCLUDE:

. SEVERE LIMITATIONS ON ECONOMIC GROWTH SINCE THE INTERNATIONAL ECONOMIC CRISIS IN 1973;

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 KINGST 03591 262214Z

. INSUFFICIENT INVESTMENT, WITH CONSUMPTION NOW AMOUNTING TO 90 PERCENT OF OUR NATIONAL INCOME;

. A SUBSTANTIAL DEFICIT IN THE CURRENT ACCOUNT OF THE CENTRAL GOVERNMENT WHICH HAD TO BE COVERED BY CREDITS FROM THE CENTRAL BANK;

. THE RAPID GROWTH OF THE JAMAICAN POPULATION AND THE GREAT DIFFICULTY OF GENERATING ENOUGH JOBS TO ABSORB THE INCREASE OF THE LABOR FORCE.

E. TO CONFRONT THESE PROBLEMS, MR. BELL ENUMERATED THE FOLLOWING MAJOR OBJECTIVES OF THE GOVERNMENT:

. IMPROVE THE BALANCE OF PAYMENT SITUATION;

. DIRECT THE ECONOMY TOWARDS A GROWTH PATH;

. BALANCE THE GOVERNMENT'S BUDGET;

. CREATE MORE EMPLOYMENT OPPORTUNITIES.

F. REVIEWING THE VARIOUS MEASURES ADOPTED BY THE GOVERNMENT IN 1977, MR. BELL REPORTED MIXED RESULTS: WHILE THE BALANCE OF PAYMENTS DEFICIT ON CURRENT ACCOUNT WAS SUBSTANTIALLY REDUCED, THE GDP CONTINUED TO DECLINE; WAGE GUIDELINES WERE BREACHED; AND THE FOREIGN EXCHANGE CRISIS HAS WORSENERD.

G. JAMAICA'S BASIC PURPOSE OVER THE NEXT THREE YEARS MUST BE TO INCREASE ITS CAPACITY TO EARN FOREIGN EXCHANGE BY PROMOTING EXPORTS, MAINTAIN A STRICT INCOMES POLICY WHICH WILL RESTRAIN THE GROWTH OF WAGES, AND PROMOTE THE DEVELOPMENT OF PRODUCTIVE ENTERPRISES IN BOTH THE PUBLIC AND PRIVATE SECTORS.

UNCLASSIFIED

UNCLASSIFIED

PAGE 04 KINGST 03591 262214Z

H. MAJOR EMPHASIS WAS GIVEN TO THE NEED TO RESTRICT CONSUMPTION. "IN TERMS OF THE EFFECT ON THE AVERAGE PERSON, IT MEANS THAT PRICES WILL RISE, INCOME WILL ALSO RISE, BUT WILL NOT KEEP PACE WITH PRICE RISES IN THE SHORT RUN. FOREIGN EXCHANGE, EXCEPT FOR PRIORITY ITEMS, WILL BE DIFFICULT TO OBTAIN AND TAXES MAY ALSO RISE. IN OTHER WORDS, OUR STANDARD OF LIVING WILL FALL".

I. THE GOVERNMENT ITSELF MUST SET AN EXAMPLE BY GENERATING SAVING IN ITS CURRENT BUDGET TO PROVIDE RESOURCES FOR CAPITAL INVESTMENT. STILL, PROGRAMS SUCH AS JAMAL (ADULT EDUCATION), PIONEER FARMS, COMMUNITY ENTERPRISE (I.E. DEVELOPMENT) ORGANIZATIONS AND THE LAND LEASE PROGRAM NEED NOT BE DISMANTLED. THEY WILL BE MORE SHARPLY FOCUSED ON PRODUCTION AND TRAINING.

3. COMMENTS:

A. THE WARNING THAT CONSUMPTION MUST BE RESTRICTED WAS ISSUED ON SEVERAL PRIOR OCCASIONS BOTH BY MR. BELL AND BY SENATOR RICHARD FLETCHER (MINISTRY OF FINANCE). MR. BELL'S LATEST WARNING IS THE MOST EMPHATIC AND SPECIFIC TO DATE. WHILE JAMAICANS ARE WELL AWARE THAT THEIR LIVING STANDARD HAS BEEN DECLINING FOR YEARS AND MAY CONTINUE TO DO SO, THERE IS NO EVIDENCE THAT THEY ARE PREPARED TO ACCEPT THE SACRIFICES DEMANDED, AS EVIDENCED BY HIGH EMIGRATION RATES AND THE OUTBREAK OF STRIKES IN VARIOUS SECTORS OF THE ECONOMY. WHETHER THE GOJ CAN MOBILIZE SUPPORT FOR THE NECESSARY STEPS REMAINS TO BE SEEN.

B. MR. BELL'S SPEECH IS BASED ON THE ASSUMPTION THAT REDUCTIONS IN CONSUMPTION AND INCREASES IN SAVINGS WILL

UNCLASSIFIED

UNCLASSIFIED

PAGE 05 KINGST 03591 262214Z

MEAN MORE INVESTMENT AND RESUMED GROWTH. REALITY IS MORE COMPLEX. CUTBACKS IN CONSUMPTION COULD MEAN REDUCED INCENTIVES FOR INVESTMENT AND GROWTH, UNLESS MEASURES ARE TAKEN TO STIMULATE THE ECONOMY.

C. MR. BELL'S ANALYSIS OF JAMAICA'S BALANCE OF PAYMENTS DIFFICULTIES IS ONE-SIDED: HE HAS MENTIONED ONLY THE FACTORS THAT ARE BEYOND THE GOJ'S CONTROL. NO MENTION IS MADE OF THE IMPACT OF VIOLENCE ON TOURISM OR OF THE EFFECTS OF GOJ POLICIES ON PRIVATE INVESTMENT AND FOREIGN PRIVATE CAPITAL INFLOWS.

D. THE CONTRIBUTION THAT THE PRIVATE SECTOR CAN MAKE WAS ACKNOWLEDGED, BUT WAS MENTIONED ONLY IN PASSING. THERE WAS NO EXPLICIT RECOGNITION THAT THE RESTORATION OF PRIVATE SECTOR CONFIDENCE SHOULD BE THE LYNCHPIN OF THE ECONOMIC RECOVERY PROGRAM.

E. AS MAY BE EXPECTED WHEN AN UNPOPULAR PROGRAM MUST BE SOLD, THE IMF WAS BLAMED FOR THE "UNDULY HARSH" MEASURES REQUIRED. THESE SHORTCOMINGS NOTWITHSTANDING, MR. BELL'S PRESENTATION PROVIDES A GOOD EXPOSE OF THE COUNTRY'S MAJOR ECONOMIC PROBLEMS AND THROWS LIGHT ON AT LEAST SOME OF THEIR MAJOR CAUSES. THIS SPEECH REPRESENTS ANOTHER ATTEMPT BY THE GOJ TO CONVINCE JAMAICANS THAT THERE IS NO WAY OF AVOIDING A FURTHER PAINFUL REDUCTION IN THEIR LIVING STANDARD AND THAT REFUSAL TO ACCEPT THE SACRIFICES INVOLVED WOULD ONLY SERVE TO FURTHER AGGRAVATE AND PROLONG THE ECONOMIC CRISIS.
IRVING

UNCLASSIFIED

NNN

*** Current Handling Restrictions *** n/a

*** Current Classification *** UNCLASSIFIED

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FINANCE, MINISTER COUNSELORS, NEGOTIATIONS, PROGRESS REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 22 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978KINGST03591
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Expiration:
Film Number: D780179-0194
Format: TEL
From: KINGSTON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t197804105/aaaafiju.tel
Line Count: 209
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON MICROFILM, TEXT ON-LINE
Message ID: 906e35a6-c288-dd11-92da-001cc4696bcc
Office: ACTION ARA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 78 KINGSTON 2615, 78 KINGSTON 2662, 78 KINGSTON 311
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2827720
Secure: OPEN
Status: <DBA CORRECTED> jms 970818
Subject: FINANCE MINISTER BELL GIVES PROGRESS REPORT ON IMF NEGOTIATIONS
TAGS: ECON, EFIN, JM, IMF, (BELL, ERIC)
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/906e35a6-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014